

Message Text

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21

ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 XMB-02

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R 211515Z JUL 75

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 8478

INFO AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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VIENNA FOR USEWTC

E.O. 11652: N/A

TAGSH ETRD, CZ

SUBJEVD: EXPORT RESTRICTIONS IMPOSED BY FOREIGN GOVERNMENTS

REF: STATE 146681

1. IN CZECHOSLOVAKIA, FOREIGN TRADE IS A STATE MONOPOLY AND IS HEAVILY DIRECTED TOWARDS OTHER SOCIALIST COUNTRIES: APPROXIMATELY TWO-THIRDS OF CZECHOSLOVAK FOREIGN TRADE TURNOVER NOW OCCURS WITHIN CEMA. IT IS CLEAR THAT WITH THE DISRUPTION ON WORLD COMMODITY MARKETS, THE CZECHS WILL BE FORCED INTO EVEN CLOSER COOPERATION WITH THE SOVIET UNION, THEIR MAJOR SUPPLIER OF RAW
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MATERIALS. THERE HAVE BEEN EXHORTATIONS IN THE PRESS RECENTLY ON

THE NEED TO IMPROVE QUALITY OF PRODUCTS DELIVERED TO THE SOVIETS, AND ON THE NEED TO MEET DELIVERY DEADLINES. THIS INCREASED EMPHASIS ON TRADE WITH USSR AND OTHER CEMA PARTNERS WILL MEAN THAT NOW LESS THAN EVER CAN CZECHOSLOVAKIA BE CONSIDERED A RELIABLE SUPPLIER TO THE U.S. OF MATERIALS IN SHORT SUPPLY. WITH HER POOR RAW MATERIAL BASE, IT IS UNLIKELY THAT EVEN IN THE BEST OF TIMES WOULD U.S. INDUSTRY LOOK TO CZECHOSLOVAKIA FOR MUCH IN WAY OF RAW MATERIALS SUPPLY.

2. LOOKING DOWN THE LIST OF U.S. IMPORTS FROM CZECHOSLOVAKIA IN 1972, 1973, AND 1974, THERE ARE FEW PRODUCTS THAT THE U.S. NEED BE CONCERNED ABOUT. THE LARGEST SINGLE CATEGORY OF U.S. IMPORTS FROM CZECHOSLOVAKIA IN 1974 WAS STEEL WIRE RODS, ACCOUNTING FOR MORE THAN TWENTY-FIVE PERCENT OF TOTAL U.S. IMPORTS BY VALUE FROM CSSR. GIVEN SLUMPING MARKET FOR STEEL IN U.S., HOWEVER, THERE SEEMS TO BE LITTLE REASON IN THE FORESEEABLE FUTURE TO BE CONCERNED ABOUT MAINTAINING ACCESS TO CZECH STEEL PRODUCTION.

3. THE U.S. CONCEIVABLY WOULD BE INTERESTED IN OBTAINING URANIUM FROM CZECHOSLOVAKIA, BUT GIVEN ITS STRATEGIC IMPORTANCE TO SOVIETS WHO HAVE TAKEN VIRTUALLY ALL OF CZECHOSLOVAKIA'S OUTPUT OVER THE PAST TWO DECADES, THERE IS NO PROSPECT THAT THE U.S. WILL GAIN ACCESS TO THIS COMMODITY IN SHORT SUPPLY.

4. THE GOC IS ENTIRELY CAPABLE OF DIRECTING TRADE OF MAJOR ITEMS AND ESPECIALLY THOSE IN SHORT SUPPLY BY ADMINISTRATIVE FIAT. FOR MANY ITEMS, THE STATE MANIPULATES FOREIGN EXCHANGE RATES AND INTEREST RATES ON INTERNAL CROWN LOANS TO MAKE TRADE WITH CERTAIN COUNTRIES MORE ATTRACTIVE THAN WITH OTHERS. THE CZECHOSLOVAK TARIFF SCHEDULE PROVIDES FOR SLIGHTLY HIGHER IMPORT DUTIES ON

PRODUCTS FROM COUNTRIES (LIKE THE U.S.) THAT HAVE NOT GRANTED MFN STATUS TO CZECHOSLOVAKIA; AND IT IS PROBABLE THAT THERE ARE ADMINISTRATIVE BARRIERS WHICH DISTORT THE LEVEL OF CZECH EXPORTS TO THE U.S. AS A RESULT OF THIS AND OTHER FACTORS.

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